

# United States Department of Agriculture Rural Development

## Section 9007 Rural Energy for America Program (REAP)

### Combination (Grant and Guaranteed Loan) Application Template When the G-loan is \$600,000 or Less

The **combination grant and guaranteed loan application template** (when the guaranteed loan is **\$600,000 or less**) - on the following pages – provides access a framework of divider pages to organize the combo application for submission to USDA-Rural Development. Please tab the divider pages as indicated.

**Other** tools are available on the Iowa Rural Development Business and Cooperative Program website at: [www.rurdev.usda.gov/ia/rbs.html](http://www.rurdev.usda.gov/ia/rbs.html) - click on the red box - energy program, and click on the information pertinent to the type of project you are proposing.

**Separate** applications must be submitted for renewable energy system and energy efficiency improvement projects. Applicants may only submit **one** application **for each type** of project per fiscal year.

**An original and 1 copy** of the application must be submitted to the Area Office where the project will be located. To find the Area Office where your project will be located, please see the map at [http://www.rurdev.usda.gov/ia/rbcs\\_BCMaP\\_of\\_Iowa\\_RD.pdf](http://www.rurdev.usda.gov/ia/rbcs_BCMaP_of_Iowa_RD.pdf)

If you have difficulty accessing the information, two copies of the application can be submitted to:

Iowa Rural Development State Office,  
Attn: Business-Cooperative Programs  
873 Federal Building  
210 Walnut  
Des Moines, Iowa 50309  
Phone: 515-284-4714

**A project with total eligible project costs of \$200,000 or less** must involve **commercially available** technology.

**A project with total eligible project costs of more than \$200,000** can involve **commercial or pre-commercial** technology.

This template is designed for training and education and does not replace the 4280-B regulation.

# USDA-Rural Development

## Section 9007

### Rural Energy for America Program (REAP)

#### Combination Grant and Guaranteed Loan Application When the G-Loan is \$600,000 or Less

Title of Project: \_\_\_\_\_

Submitted by

Applicant Name: \_\_\_\_\_

Address: \_\_\_\_\_

City: \_\_\_\_\_

County: \_\_\_\_\_

State: \_\_\_\_\_

Zip code: \_\_\_\_\_

Phone #: \_\_\_\_\_

E-mail: \_\_\_\_\_

Fax: \_\_\_\_\_

Choose one:

☐

A Renewable Energy Systems Project

or

☐

An Energy Efficiency Improvements Project

\$\_\_\_\_\_ Guaranteed Loan Request

Grant Writer \_\_\_\_\_

Phone \_\_\_\_\_

E-mail \_\_\_\_\_

Date Submitted to RD \_\_\_\_\_

**Table of Contents for**  
**Combination Grant and Guaranteed Loan**  
**G- loan of \$600,000 or less**  
 (Title of the Project) \_\_\_\_\_

**4280.128 (c) Application content for guaranteed loans \$600,000 or less.** Applications and documentation for guaranteed loans \$600,000 or less must comply with paragraphs (c)(1)(i) through (iii) of this section. Applications must use 4279-1A and include documentation in paragraphs (b) (2) (ii), (vii), (viii), (ix), (x), and (xii) of this section. The lender must have the documentation contained in paragraphs (b) (2) (iii), (iv), (v), (vi), and (xi) available in its files for the Agency's review.

**(1) Guaranteed loan application content.** Applications and documentation for guaranteed loans \$600,000 or less must provide the required information organized pursuant to a Table of Contents in a chapter format presented in the order shown in 4280.111 (b)(2) through (8), except as specified in paragraphs (c)(1)(i) through (iii) of this section.

Begin pagination immediately following the Table of Contents.

		<b>Application Components Combination Grant and Guaranteed Loan G-loan of \$600,000 or less</b>	<b>Tab</b>
<b>Applicant/ Borrower</b>		If total eligible project costs are <u>\$200,000 or less</u> , the applicant will file a <a href="#">Simplified Application</a> . <u>In addition</u> , they will need to submit financial information: i 3 yr. historical income statement, balance sheet, and cash flow ii Current year income statement, balance sheet, and cash flow iii Start-up + 3 years pro forma income statement, balance sheet, and cash flow	Grant
		If total eligible project costs <u>exceed \$200,000</u> , the applicant will file a <a href="#">Full Application</a> . The financial information is already a part of this application.	
		Click <a href="#">Grants</a> to reach either template.	
		Use only the divider pages H, J, and K.	
<b>Lender</b>	4280.128 (b)(2)(i)	4279-1A "Application for Loan Guarantee, Short Form"	I
	(x)	Lender's complete written credit analysis	J
	(xii)	Proposed loan agreement	K

<div style="text-align: center;"> <b>Tab I</b>            Divider Page         </div>	
4280.128 (b)(2)(i)	Put a check or an "x" if the item is included behind this divider page.
4279-1A "Application for Loan Guarantee, Short Form" <i>(This form is fillable on-line) – go to</i>  <a href="http://www.rurdev.usda.gov/ia/4279-1A_fillable.pdf">http://www.rurdev.usda.gov/ia/4279-1A_fillable.pdf</a>	
This certification is located on the 4279-1A Application form. <b>(xi)</b> A <u>certification</u> by the lender that it has completed a <u>comprehensive written analysis of the proposal</u> , the borrower is eligible, the loan is for authorized purposes with technical merit, and there is reasonable assurance of repayment ability based on the borrower's history, projections, equity, and the collateral to be obtained.	

These items must be available in lender's files for the Agency's review and do not need to be submitted with the application.
<b>(iii)</b> A personal credit report for the borrower from an Agency approved credit reporting company for each owner, each partner, officer, director, key employee, and stockholder owning 20% or more interest in the borrower's business except passive investors and those corporations listed on a major stock exchange.
<b>(iv)</b> Appraisals completed in accordance with 4280.141. Completed appraisals should be submitted when the application is filed. If the appraisal has not been completed when the application is filed, the applicant must submit an estimated appraisal. In all cases, a completed appraisal must be submitted prior to the loan being closed.
<b>(v)</b> Commercial credit reports obtained by the lender on the borrower and any parent, affiliate, and subsidiary firms.
<b>(vi)</b> Current personal and corporate financial statements of any guarantors
<b>(vii)</b> Intergovernmental consultation comments in accordance with 7 CFR part 3015, subpart V, of this title. – NA in Iowa

## Tab J

Divider Page

### Lender's Complete Written Credit Analysis

4280.128 (b)(2)(x)

[Click here](#) to reach credit quality requirements.

		Put a check or an "x" if the item is included behind this divider page.
Lender's complete written analysis, including:		
	-Spreadsheets of the balance sheets and income statements for the 3 previous years (for existing businesses), pro forma balance sheet at startup, and 3 years projected year end balance sheets and income statements -With appropriate ratios and comparisons with industrial standards (such as Dun & Bradstreet or Robert Morris Associates).	
	All data must be shown in total dollars and also in common size form, obtained by expressing all balance sheet items as a percentage of assets and all income and expense items as a percentage of sales.	
The lender's credit analysis must address the:		
	Borrower's management	
	Repayment ability including a cash-flow analysis	
	History of debt repayment	
	Necessity of any debt refinancing	
	And the credit reports of the borrower, its principals, and any parent, affiliate, or subsidiary.	

#### 4280.128 (b) (2)

#### (x) Lender's complete comprehensive written analysis in accordance with 4280.139-Credit Quality

The lender must determine credit quality and must address all of the elements of credit quality in a written credit analysis including adequacy of equity, cash flow, collateral, history, management, and current status of the industry for which credit is to be extended.

- (a) Cash flow – All efforts will be made to structure debt so that the business has adequate debt coverage and the ability to accommodate expansion.
- (b) Collateral– Collateral must have documented value sufficient to protect the interest of the lender and the Agency. The discounted collateral value will normally be at least equal to the loan amount. Lenders will discount collateral consistent with sound loan-to-value policy. Guaranteed loans made under this subpart shall have at least parity position with guaranteed loans made under subpart B of part 4279 of this title.
- (c) Industry. The current status of the industry will be considered. Borrowers developing well established commercially available renewable energy systems with significant support infrastructure may be considered for better terms and conditions than those borrowers developing systems with limited infrastructure.
- (d) Equity – In determining the adequacy of equity, the lender must meet the criteria specified in paragraph (d) (1) of this section for loans over \$600,000 and the criteria in paragraph (d)(2) of this section for loans of \$600,000 or less. Cash equity injection, as discussed in paragraphs (d)(1) and (2) of this section, must be in the form of **cash**. Federal grant funds may be counted as cash. (2) For loans of \$600,000 or less, borrowers shall demonstrate evidence of cash equity injection in the project of not less than 15 percent of eligible project costs. The fair market value of equity in real property that is to be pledged as collateral for the loan may be substituted in whole or in part to meet the cash equity requirement. However, the appraisal completed to establish the fair market value of the real property must not be more than one year old and must meet Agency appraisal standards.
- (e) Lien Priorities. The entire loan will be secured by the same security with equal lien priority for the guaranteed and unguaranteed portions of the loan. The unguaranteed portion of the loan will neither be paid first nor given any preference or priority over the guaranteed portion. A parity or junior position may be considered provided that discounted collateral values are adequate to secure the loan in accordance with paragraph (b) of this section after considering prior liens.

## Tab K

Divider Page

### Proposed Loan Agreement

4280.128 (b)(2)(xii)

[Click Here](#) to reach the loan agreement requirements

(xii) A proposed Loan Agreement or a sample Loan Agreement with an attached list of the proposed Loan Agreement provisions. The following requirements must be addressed in the proposed or sample Loan Agreement:

(A)	Prohibition against assuming liabilities or obligations of others.	
(B)	Restriction on dividend payments.	
(C)	Limitation on the purchase or sale of equipment and fixed assets.	
(D)	Limitation on compensation of officers and owners.	
(E)	Minimum working capital or current ratio requirement.	
(F)	Maximum debt-to-net worth ratio.	
(G)	Restrictions concerning consolidations, mergers, or other circumstances.	
(H)	Limitations on selling the business without the concurrence of the lender.	
(I)	Repayment and amortization of the loan.	
(J)	List of collateral and lien priority for the loan including a list of persons and corporations guaranteeing the loan with a schedule for providing the lender with personal and corporate financial statements. Financial statements on the corporate and personal guarantors must be updated at least annually once the guarantee is provided.	
(K)	Type and frequency of financial statements to be required from the borrower for the duration of the loan.	
(L)	The addition of any requirements imposed by the Agency in Form RD 4279-3.	
(M)	A reserved section for any Agency environmental requirement.	
(N)	A provision for the lender or the Agency to have reasonable access to the project and its performance information during its useful life or the term of the loan, whichever is greater, including the periodic inspection of the project by a representative of the Lender or the Agency.	